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**FISCAL YEAR 2002
CHILD AND ADULT CARE FOOD PROGRAM
OPERATIONAL MEMO #4**

TO: Child and Adult Care Food Program Sponsors

FROM: Peggy Pawelek Brown, Manager
Food and Nutrition Program

DATE: November 13, 2001

SUBJECT: Documentation for Claiming Labor Costs

Per the revised Financial Management Instruction (FNS Instruction 796-2, Revision 3), the minimum requirements for documenting any labor cost charged as a Child and Adult Care Food Program (CACFP) cost has changed.

There are four types of required documentation:

- Compensation Plan
- Time and Attendance Reports
- Distribution Reports
- Payroll records

All institutions must establish and maintain a written compensation policy for any element of compensation charged to the program.

The written compensation policy must apply to any individual or group of individuals employed by the institution and identify:

- Rates of pay
- Hours of work, including breaks and meal periods
- The institution's policy and payment schedule for regular compensation, overtime, compensatory time, benefits,
- payroll tax withholdings, and the policy for providing incentive payments, awards, and severance pay.
- The plan must also reflect the requirements of the United States Department of Labor's regulations implementing the Fair Labor Standards Act for all FLSA nonexempt employees.

Time and Attendance reports must reflect the **total time actually worked** by an employee - not just the time spent on program administrative or operating activities. They are required for all labor costs charged to the program whether the employee is part-time or full-time, and whether the employee earns compensation on a piece work basis, or is paid by the hour or based on salary.

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608 WEST ALLEGAN STREET • P.O. BOX 30008 • LANSING, MICHIGAN 48909
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A Time Distribution report must be used to record how an employee spends his or her entire work day. A separate report for each employee is required. It must be completed by the employee and must account separately for the employee's total program and nonprogram activity. For program labor, the time must be separated into administrative and operating labor.

For nonprofit and proprietary institutions, Time Distribution reports must be prepared monthly and coincide with one or more pay periods even when an employee performs only program labor.

For public institutions, the Time Distribution report is the same except that a program-only employee may have the Time Distribution certified semiannually rather than monthly.

Payroll records must be maintained for each individual receiving any form of compensation. Payroll records contain the employee's:

Name

Identification number

Hours worked

Rate of compensation

Benefits earned

Any reductions or increases to the employee's base compensation, i.e., overtime pay or incentive awards

Gross pay and net pay

Date of payment to employee and method of payment such as check, cash, or EFT

Verification of payment to the employee

Labor expense documentation must be kept on file by the sponsor for the current year and the three prior years. The new documentation requirements take effect immediately. Attached are two new prototype forms for your convenience: Time Distribution and Time and Attendance. You may use your own forms if they contain the same information.

Attachments